

Department of Environmental Quality

JLBC: Dan Hunting
 OSPB: Marcel Benberou

DESCRIPTION	FY 2008 ACTUAL	FY 2009 ESTIMATE	FY 2010 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	473.4	473.4	473.4
Personal Services	6,498,400	6,810,700	6,810,700
Employee Related Expenditures	3,046,000	3,218,900	3,218,900
Professional and Outside Services	175,200	14,600	14,600
Travel - In State	39,700	12,500	12,500
Travel - Out of State	8,300	0	0
Other Operating Expenditures	7,634,400	5,598,000	5,598,000
Equipment	314,900	225,600	225,600
OPERATING SUBTOTAL	17,716,900	15,880,300	15,880,300
SPECIAL LINE ITEMS			
Air Programs			
Air Quality Management and Analysis	11,494,000	11,436,200	11,436,200
Emissions Control Contractor Payment	30,707,800	33,239,600	27,639,600
Emissions Control Program - Administration	2,667,600	4,231,100	4,231,100
Maricopa, Pima, and Pinal Counties Travel Reduction Plan	1,676,800	1,676,900	1,676,900
Transfers to Counties Program	165,000	165,000	165,000
Waste Programs			
Waste Control and Management	4,720,000	6,446,100	6,446,100
Underground Storage Tank Program	3,300	22,000	22,000
Waste Tire Program	47,700	53,600	53,600
WQARF Priority Site Remediation	0	13,000,000	13,000,000
Water Programs			
Arizona Pollutant Discharge Elimination System	1,235,300	1,524,700	1,524,700
Drinking Water Regulation Program	1,743,800	2,499,800	2,499,800
Surface Water Regulation Program	1,156,600	1,137,100	1,137,100
Underground Water Regulation Program	5,611,100	7,032,100	7,032,100
WIFA			
Clean Water Revolving Loan Program	1,425,200	0	0
Drinking Water Revolving Loan Program	669,900	845,100	845,100
Unallocated General Fund Distribution	0	2,000,000	2,000,000
AGENCY TOTAL	81,041,000	101,189,600	95,589,600
FUND SOURCES			
General Fund	17,323,100	24,080,200	24,080,200
<u>Other Appropriated Funds</u>			
Air Permits Administration Fund	5,710,600	5,992,300	5,992,300
Air Quality Fund	5,567,400	5,227,500	5,227,500
Clean Water Revolving Fund	0	5,000,000	5,000,000
Emissions Inspection Fund	33,375,400	37,470,700	31,870,700
Hazardous Waste Management Fund	189,100	795,000	795,000
Indirect Cost Recovery Fund	12,230,100	12,748,200	12,748,200
Recycling Fund	1,939,600	2,325,800	2,325,800
Solid Waste Fee Fund	928,700	1,503,100	1,503,100
Underground Storage Tank Revolving Fund	3,300	22,000	22,000
Used Oil Fund	10,400	137,800	137,800
Water Quality Fee Fund	3,763,300	5,887,000	5,887,000
SUBTOTAL - Other Appropriated Funds	63,717,900	77,109,400	71,509,400
SUBTOTAL - Appropriated Funds	81,041,000	101,189,600	95,589,600
Other Non-Appropriated Funds	262,167,100	209,558,000	209,558,000
Federal Funds	16,561,000	20,189,000	20,189,000
TOTAL - ALL SOURCES	359,769,100	330,936,600	325,336,600

CHANGE IN FUNDING SUMMARY

	FY 2009 to FY 2010 JLBC	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

AGENCY DESCRIPTION — The Department of Environmental Quality (ADEQ) enforces air, water, and land quality standards. The department’s Office of Air Quality issues permits to regulate industrial air pollution sources, regulates vehicle emissions, monitors and assesses the ambient air, and develops air quality improvement strategies. The Office of Waste Programs implements programs to minimize waste generation, identifies and corrects improper waste management practices, and oversees the clean up (remediation) of hazardous waste sites. The Office of Water Quality regulates drinking water and waste water systems, monitors and assesses waters of the state, and provides hydrologic analysis to support hazardous site remediation.

PERFORMANCE MEASURES	FY 2006	FY 2007	FY 2008	FY 2010
	Actual	Actual	Actual	JLBC
• % reduction in Aquifer Protection Permit Processing time	--	0	NA	--
• % reduction in Arizona Pollutant Discharge Elimination System permit processing time	--	0	25.0	--
• % reduction in drinking water plan review processing time	--	0	24.7	--
• % of contaminated sites closed requiring no further action (cumulative) versus known sites	80.0	83.0	84.5	84.5
• Number of non-attainment areas exceeding national ambient air quality standards	5	4	5	5
• % of statutorily set permit timelines met through Licensing Time Frames rule	97.8	98.4	100	100
• Number of days per year exceeding National Ambient Air Quality Standards for Ozone, Carbon Monoxide, or Particulates	0	0	0	0
• % of facilities from Drinking Water Priority Log assigned to enforcement staff	100	50	100	100
• Customer satisfaction rating for citizens (Scale 1-8)	7.8	7.84	7.7	7.7

Comments: The agency did not submit information for any measure labeled as “NA” as required by the General Appropriation Act.

Operating Budget

The JLBC includes \$15,880,300 and 144.6 FTE Positions for the operating budget in FY 2010. These amounts consist of:

General Fund	\$3,132,100
Indirect Cost Recovery Fund	12,748,200

These amounts are unchanged from FY 2009.

The department distributed its FY 2009 Lump Sum Reduction and Offset so that the operating budget showed an increase of \$570,800 over the original appropriation of \$15,309,500. A General Fund decrease of \$(1,350,600) was offset by an increase from the Indirect Cost Recovery Fund of \$1,921,400.

Air Programs

Air Quality Management and Analysis

The JLBC includes \$11,436,200 and 90.9 FTE Positions for Air Quality Management and Analysis in FY 2010. These amounts consist of:

General Fund	381,400
Air Permits Administration Fund	5,992,300
Air Quality Fund	5,062,500

These amounts are unchanged from FY 2009.

Expenditures from the Air Quality Management and Analysis Special Line Item are for air quality research, regulation and inspection of stationary air pollution sources, and programs to bring non-attainment areas into attainment with federal clean air standards.

Emissions Control Program

The Emissions Control Program is operated by an independent contractor in Maricopa and Pima Counties, with the purpose of identifying and repairing polluting motor vehicles. Vehicle owners in Maricopa County are subject to either an Inspection and Maintenance or On-Board Diagnostic inspection if the vehicle was manufactured in 1981 or after, or a loaded idle inspection if the vehicle was manufactured prior to 1981. Pima County vehicle owners are subject only to the idle inspection. The program is funded through test fees that are charged to motorists at the time of inspection.

The contractor collects the test fees and remits the entire portion for deposit in the Emissions Inspection Fund. Monies are then appropriated from the Emissions Inspection Fund to either pay for ADEQ's program administration costs or to pay the independent contractor's operational expenses.

Table 1 displays the components of the Emission Control Program appropriation from the Emissions Inspection Fund for FY 2010.

Table 1	
Emissions Control Program	
	FY 2010
Contractor Payment	\$33,239,600
Program Administration	4,231,100
Total	\$37,470,700

Emissions Control Contractor Payment

The JLBC includes \$27,639,600 from the Emissions Inspection Fund for the Emissions Control Contractor

Payment in FY 2010. The FY 2010 adjustments would be as follows:

Reduced Contractor Payments OF (5,600,000)

This adjustment would decrease Emission Control Contractor Payment funding by \$(5,600,000) from the Emissions Inspection Fund in FY 2010. This decrease reflects reduced costs to the state under the new Vehicle Emissions Inspection Contract.

Monies appropriated to this line item are to pay the Emissions Control Program contractor. Under the contract, the contractor remits the entire amount of the fee to ADEQ for deposit in the Emissions Inspection Fund. ADEQ then determines the amount due to the contractor, based on the number of vehicles inspected, and makes payments to the contractor on a regular basis.

Emissions Control Program - Administration

The JLBC includes \$4,231,100 and 34 FTE Positions from the Emissions Inspection Fund for the Emissions Control Program in FY 2010. These amounts are unchanged from FY 2009.

This line item includes activities such as providing program information and assistance to the public, reviewing the eligibility of those seeking vehicle repair grants or test waivers, and overseeing the inspection contract. These activities are funded from the administrative portion of the inspection fee, which is set by ADEQ.

Maricopa, Pima, and Pinal Counties Travel Reduction Plan

The JLBC includes \$1,676,900 from the General Fund for the Maricopa, Pima, and Pinal Counties Travel Reduction Plan in FY 2010. This amount is unchanged from FY 2009.

Maricopa, Pima, and Pinal Counties each manage air pollution control programs at the county level. The monies in the Maricopa, Pima, and Pinal Counties Travel Reduction Plan provide funding to these counties to administer rideshare and other trip reduction programs.

Transfers to Counties Program

The JLBC includes \$165,000 from the Air Quality Fund for the Transfers to Counties Program in FY 2010. This amount is unchanged from FY 2009.

Monies in this line item are for use by counties in Arizona to establish air quality public notification and outreach programs, to minimize exposure to particulate matter concentrations, and for abatement and minimization of controllable sources of particulate matter through the best available control measures.

Waste Programs

Waste Control and Management

The JLBC includes \$6,446,100 and 45.6 FTE Positions for Waste Control and Management in FY 2010. These amounts consist of:

General Fund	1,738,000
Hazardous Waste Management Fund	795,000
Solid Waste Fee Fund	1,449,500
Recycling Fund	2,325,800
Used Oil Fund	137,800

These amounts are unchanged from FY 2009.

In FY 2009, the department shifted \$165,000 from the Solid Waste Fee Fund appropriated to the Waste Tire Program Special Line Item to the Waste Control and Management Program Special Line Item. This shift is reflected in the figures above.

The Waste Control and Management Program is responsible for issuing permits to landfills and other solid waste facilities, as well as regulation and inspection of hazardous waste facilities. The department may initiate remediation actions related to compliance issues.

Underground Storage Tank Program

The JLBC includes \$22,000 from the Underground Storage Tank Fund for the Underground Storage Tank (UST) Program in FY 2010. This amount is unchanged from FY 2009.

Monies in the UST Program are utilized to detect and clean up hazardous leakage from USTs. The program's regulatory component is funded from annual tank registration fees. The clean-up component is funded from a 1¢ per gallon excise tax on gasoline and diesel fuel.

The excise tax is deposited into the UST Fund's State Assurance Account (SAA). Monies in the SAA are used to partially reimburse tank owners for corrective actions due to leaking tanks and to reimburse ADEQ for actions taken by the agency. The vast majority of fund revenues are not appropriated by the Legislature; however, an amount of \$22,000 from the SAA in FY 2008 and FY 2009 is included for the operating costs of the Underground Storage Tank Technical Appeals Panel and the Underground Storage Tank Policy Commission.

The JLBC would also continue to suspend the UST Revolving Fund Assurance Account administrative cap for FY 2010, as was done in FY 2008 and FY 2009, to allow the department to utilize up to \$6,531,000. This would allow the agency to continue funding 3 FTE Positions for the Leak Prevention and Compliance Program, and to

provide funding for the Used Oil Program. Expenditures from the Assurance Account are not appropriated by the Legislature and, therefore, are not reflected in the table above.

Waste Tire Program

The JLBC includes \$53,600 and 2.8 FTE Positions from the Solid Waste Fee Fund for the Waste Tire Program in FY 2010. These amounts are unchanged from FY 2009.

In FY 2009, the department transferred \$165,000 from the Solid Waste Fee Fund from the Waste Tire Program Special Line Item to the Waste Control and Management Program Special Line Item. This shift is reflected in the figures above.

This program oversees county programs that dispose of and/or recycle waste tires.

WQARF Priority Site Remediation

The JLBC includes \$13,000,000 from the General Fund for the Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation in FY 2010. This amount is unchanged from FY 2009.

WQARF is funded in part from an annual \$15,000,000 transfer from the Corporate Income Tax (CIT), as stipulated in A.R.S. § 49-282. Funding for this program, therefore, does not appear in the General Appropriation Act. In addition, WQARF generates other revenue from various license and registration fees. A.R.S. § 49-282 directs the State Treasurer to adjust the \$15,000,000 CIT transfer so that, when combined with the WQARF fee generated revenue, the program receives \$18,000,000 annually. Some types of revenue, including cost recovery collections and interest, are not included in this calculation. Therefore, actual program revenues can exceed \$18,000,000 in a year depending on how much is deposited from these other sources.

Laws 2008, Chapter 285 notwithstanding these statutory provisions and reduced the General Fund allocation by \$(2,000,000). *Table 2* describes program activity for FY 2008 and FY 2009.

Chapter 285 also transferred \$4,000,000 from the WQARF balance to the General Fund.

The WQARF program is similar to the federal Superfund program in that it is designed to monitor and remediate contaminated groundwater at specified sites. Program expenditures include searching for responsible polluters, conducting risk assessments and remediation feasibility studies, and contracting for remediation services.

Table 2

WQARF Activity

	Actual FY 2008	Estimated FY 2009
Balance Forward	\$ 12,744,000	\$8,092,000
General Fund	11,970,400	13,000,000
Other Revenue	<u>6,542,700</u>	<u>4,823,800</u>
Total Funds Available	31,257,100	27,915,800
General Fund Expenditures	11,970,400	13,000,000
Other Funds Expended	8,141,600	7,355,200
Funds Transferred		
Dept. of Water Resources	600,000	600,000
Voluntary Remediation Fund	0	0
DHS Risk Assessment	(6,700)	100,000
General Fund Reduction	(3,000,000)	(4,000,000)
Hiring Freeze Revertment	<u>(53,100)</u>	<u>(53,400)</u>
Year-End Fund Balance	\$8,685,300	\$2,207,200

Water Programs

Arizona Pollutant Discharge Elimination System

The JLBC includes \$1,524,700 and 23.2 FTE Positions from the Clean Water Revolving Fund for the Arizona Pollutant Discharge Elimination System (AZPDES) in FY 2010. These amounts are unchanged from FY 2009.

In FY 2009, the Legislature appropriated funding for this program from the General Fund and the Water Quality Fee Fund. ADEQ states that statute prevents them from using Water Quality Fee Fund monies in AZPDES. The Water Quality Fee Fund monies appropriated to AZPDES have been shifted to the Drinking and Underground Water Regulation Programs Special Line Items (SLI) and replaced with Clean Water Revolving Fund monies. ADEQ also eliminated the General Fund portion of AZPDES as part of the FY 2009 Lump Sum Reduction. This funding was also replaced by monies from the Clean Water Revolving Fund.

The AZPDES regulates facilities that discharge pollutants from any point source into navigable waters. These permits may be required for agricultural, domestic, or industrial activities.

Drinking Water Regulation Program

The JLBC includes \$2,449,800 and 37.6 FTE Positions for the Drinking Water Regulation Program in FY 2010. These amounts consist of:

General Fund	125,700
Clean Water Revolving Fund	1,493,100
Water Quality Fee Fund	881,000

These amounts are unchanged from FY 2009.

In FY 2009, the Legislature appropriated a total of \$2,328,300 for the Drinking Water Regulation Program from the General Fund and Water Quality Fee Fund. As part of the department's lump sum reduction, DEQ reduced funding from the General Fund by \$(1,728,200) and offset that decrease with \$406,600 in Water Quality Fee Fund monies previously in the AZPDES and Surface Water Regulation Program SLIs and \$1,524,700 in Clean Water Revolving Fund monies specifically appropriated by the Legislature to offset the lump sum reduction. As a result, total funding for the program increased by \$171,500 above the appropriated amount. These shifts are reflected in the numbers above.

The Drinking Water Regulation Program ensures drinking water standards are met through assessments of drinking water sources, reviews of water delivery system design and construction, and tests of drinking water for contaminants.

Surface Water Regulation Program

The JLBC includes \$1,137,100 and 26.7 FTE Positions from the Clean Water Revolving Fund for the Surface Water Regulation Program in FY 2010. These amounts are unchanged from FY 2009.

In FY 2009, the Legislature appropriated a total of \$1,495,100 for the Surface Water Regulation Program from the General Fund and Water Quality Fee Fund. As part of the department's lump sum reduction, DEQ eliminated funding from these sources and offset that decrease with \$1,137,100 in Clean Water Revolving Fund monies specifically appropriated by the Legislature to offset the lump sum reduction. As a result, total funding for the program decreased \$(358,000) from the appropriated amount. These shifts are reflected in the numbers above.

The Surface Water Regulation Program regulates the discharge and treatment of both domestic sewage and industrial waste derived from the manufacturing industry through a permitting process, and monitors surface water, which represent all the lakes and streams in Arizona, for compliance with the Clean Water Act.

Underground Water Regulation Program

The JLBC includes \$7,032,100 and 68 FTE Positions for the Underground Water Regulation Program in FY 2010. These amounts consist of:

General Fund	2,026,100
Water Quality Fee Fund	5,006,000

These amounts are unchanged from FY 2009.

In FY 2009, the Legislature appropriated a total of \$7,130,900 for the Underground Water Regulation Program from the General Fund and Water Quality Fee

Fund. As part of the department's lump sum reduction, DEQ reduced funding from the General Fund by \$(354,700) and offset that decrease with \$255,900 in Water Quality Fee Fund monies previously in the AZPDES and Surface Water Regulation Program SLIs. As a result, total funding for the program decreased \$(98,800) from the appropriated amount. These shifts are reflected in the numbers above.

The Underground Water Regulation Program issues aquifer protection permits to facilities whose activities, including waste discharges, pose a threat to groundwater. This program also issues permits for residential wastewater systems and administers the Drywell Program, which monitors water runoff that is collected and injected underground.

Water Infrastructure Finance Authority (WIFA)

Clean Water Revolving Loan Program

The JLBC includes no funding for the Clean Water Revolving Loan Program in FY 2010. This amount is unchanged from FY 2009.

The FY 2009 General Appropriation Act appropriated \$1,551,900 from the General Fund to the Clean Water Revolving Loan Program. As part of their lump sum reduction, the department eliminated this deposit. This funding had been used for a state match for federal funding that allows lower interest rates on bonds issued to municipalities for Clean Water Projects.

Public jurisdictions are eligible for financial assistance under WIFA's Clean Water Revolving Fund for planning, construction, rehabilitation, modification, and improvement costs of wastewater treatment and water reclamation projects. Under the Federal Clean Water Act, Arizona receives a Federal Fund allocation to be used for loans each year. The act requires that states match the federal allocation at 20%.

Once General Fund monies are deposited into this program, the Clean Water Revolving Fund is non-appropriated. The Legislature, however, appropriated \$5,000,000 from the fund to offset other ADEQ reductions in FY 2009.

Drinking Water Revolving Loan Program

The JLBC includes \$845,100 from the Clean Water Revolving Fund for the Drinking Water Revolving Loan Program in FY 2010. This amount is unchanged from FY 2009.

In FY 2009, the Legislature appropriated \$893,200 from the General Fund for the Drinking Water Revolving Loan Program. As part of the department's lump sum reduction,

DEQ eliminated funding from the General Fund and offset that decrease with \$845,100 in Clean Water Revolving Fund monies specifically appropriated by the Legislature to offset the lump sum reduction. As a result, total funding for the program decreased \$(48,100) from the appropriated amount. This shift is reflected in the numbers above.

State and local public drinking water systems are eligible for financial assistance under WIFA's Drinking Water Revolving Fund (DWRF). DWRF monies can be used to plan, engineer, construct, or modify drinking water facilities. Funds may also be used for source water protection and land acquisition. Under the Federal Safe Drinking Water Act, Arizona receives a Federal Fund allocation to be used for loans each year. The act requires that states match the federal allocation at 20%.

Unallocated General Fund Appropriation

The JLBC includes \$2,000,000 from the General Fund as an unallocated General Fund appropriation in FY 2010. This amount is unchanged from FY 2009.

Laws 2008, Chapter 285 reduced the FY 2009 General Fund deposit to the WQARF program by \$(2,000,000), from \$15 million to \$13 million. In the department's budget documents, they continue to show the full \$15 million deposit offset by various reductions in other programs; however, only a \$13 million deposit was made to WQARF. At the time of publication, it remains unclear how the department is allocating this \$2,000,000 difference.

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FORMAT — By Program with Special Line Items

FOOTNOTES

Standard Footnotes

Of the monies appropriated to the Maricopa, Pima and Pinal Counties Travel Reduction Plan Line Item in FY 2010, \$948,600 shall be allocated to Maricopa County, \$373,000 shall be allocated to the Pima Association of Governments, \$87,000 shall be allocated to Pinal County and \$268,300 shall be allocated to Pima County.

The monies appropriated in the Transfers to Counties Program line item are for use by Arizona counties to avoid being declared in nonattainment of particulate matter standards by establishing public notification and outreach programs, minimizing exposure to particulate matter concentrations, and abating and minimizing controllable sources of particulate matter through best available control measures. Of the monies in the Transfers to Counties Program line item in FY 2010, \$50,000 shall be used by Pima County for carbon monoxide monitoring as required by the Pima County Limited Maintenance Plan with the United States Environmental Protection Agency.

When expenditures from the hazardous waste or environmental health reserves are authorized, the Director of the Department of Environmental Quality shall report the nature of the emergency and the authorized expenditure amount to the President of the Senate, the Speaker of the House of Representatives, the chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee.

The Department of Environmental Quality shall report annually on the progress of WQARF activities, including emergency response, priority site remediation, cost recovery activity, revenue and expenditure activity and other WQARF-funded program activity. This report shall also include a budget for the WQARF program which is developed in consultation with the WQARF Advisory Board. The FY 2010 report shall be submitted to the Joint Legislative Budget Committee by September 1, 2009. This budget shall specify the monies budgeted for each listed site during and FY 2010. In addition, the department and the advisory board shall prepare and submit to the Joint Legislative Budget Committee, by October 2, 2009, a report in a table format summarizing the current progress on remediation of each listed site on the WQARF registry. The table shall include the stage of remediation for each site at the end of FY 2009, whether the current stage of remediation is anticipated to be completed in FY 2010, and the anticipated stage of remediation at each listed site at the end of FY 2010, assuming FY 2010 funding levels. The department and advisory board may include other relevant information about the listed sites in the table.

Pursuant to A.R.S. § 49-282, the Department of Environmental Quality shall submit a FY 2011 budget for the Water Quality Assurance Revolving Fund before September 1, 2009, for review by the Senate and House of Representatives Appropriations Committees.

Any transfer from the amount appropriated for the Arizona Pollutant Discharge Elimination System Line Item shall require prior Joint Legislative Budget Committee review.

The Department of Environmental Quality shall submit a written report detailing the maximum, minimum and average water quality permit processing times for FY 2009 by December 1, 2009, for review by the Joint Legislative Budget Committee. The FY 2009 data shall contain the year-to-date actual data and projected totals for each year. This report shall also include total number of staff hours devoted to water quality permit processing in FY 2009, the total costs to process these permits, and the progress made in reducing water quality permit processing times.

Deletion of Prior Year Footnotes

The JLBC would delete the 2 footnotes increasing the appropriation to the AZPDES program in connection with reduced permit processing and licensing times.

The JLBC would delete the footnote requiring the reversion of General Fund monies in the Clean Water Revolving Loan Program and the Drinking Water Revolving Loan Program not used to provide a 20% match for Federal Safe Drinking Water and Clean Water Revolving Loan Fund allocations to the state, as these programs no longer have a General Fund appropriation.

The JLBC would delete the footnotes that require receipts in excess of \$5,992,300 from the Air Permits Administration Fund, \$12,748,200 from the Indirect Cost Recovery Fund, and \$5,887,000 from the Water Quality Fee Fund to be appropriated to the Department of Environmental Quality. Given the current budget shortfall, the Legislature will need to evaluate these funds prior to authorizing any additional spending.

STATUTORY CHANGES

The JLBC would:

- As session law, continue to suspend the UST Revolving Fund Assurance Account administrative cap for FY 2010, as was done in FY 2008 and FY 2009, to allow the department to utilize up to \$6,531,000 for program operating costs.
- As session law, require that all proposed fee increases and rule changes first be reviewed by JLBC.

The JLBC would not continue the session law for FY 2010 that provided \$600,000 in added FY 2009 fee authority. To offset a \$600,000 reduction from the General Fund in FY 2009, the FY 2009 Budget Procedures Reconciliation Bill (Laws 2008, Chapter 291) allowed the department to charge fees of \$600,000 in FY 2009 and appropriated any monies raised by these fees to the department. The department will be increasing Solid Waste fees to raise this additional revenue and this revenue will be deposited into the Solid Waste Fee Fund. The department increased fees by \$300,000 in FY 2009. (The increased fee revenue has not been recorded in the summary table above.) The FY 2009 General Fund reduction of \$600,000 would be continued in FY 2010.

SUMMARY OF FUNDS	FY 2008 Actual	FY 2009 Estimate
Air Permits Administration Fund (EVA2328/A.R.S. § 49-455)		Appropriated
Source of Revenue: Permit fees and interest.		
Purpose of Fund: To develop and administer permit programs and to conduct inspections.		
Funds Expended	5,710,600	5,992,300
Year-End Fund Balance	3,816,400	5,176,800
Air Quality Fund (EVA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Monies received from a \$1.50 fee assessed on motor vehicle registrations; gifts, grants, and donations; and legislative appropriations.		
Purpose of Fund: To pay the costs of air quality research, experiments, education, and programs conducted by or for the department. Also to provide an annual \$400,000 transfer to the Department of Administration for state employee travel reduction programs and annual appropriations for the Department of Weights and Measures Oxygenated Fuels and Vapor Recovery programs. <i>(See individual agencies for further description.)</i>		
Funds Expended	5,567,400	5,227,500
Funds Appropriated		
Department of Weights and Measures	1,534,800	1,542,900
Arizona Department of Transportation	71,700	71,700
Arizona Department of Administration (Bus Subsidy)	575,100	850,100
Funds Transferred		
Arizona Department of Administration (Travel Reduction)	400,000	400,000
Year-End Fund Balance	11,349,400	9,636,700
Air Quality Fund - Clean Air Subaccount (EVA2240/A.R.S. § 49-551)		Partially-Appropriated
Source of Revenue: A fee which allowed owners of vehicles 5 years old or newer to pay in-lieu of the vehicle emissions inspections. This fee was repealed effective July 1, 2006. The FY 2009 budget transferred \$2,212,300 from the Air Quality Fund - Clean Air Sub Account to the General Fund.		
Purpose of Fund: 5% of fee revenues may be used for administrative costs, with the balance distributed for the following programs:		
1. 5% for the Voluntary Lawn and Garden Equipment Emissions Reduction Program;		
2. 15% for the Voluntary Vehicle Repair and Retrofit Program;		
3. 30% for the Diesel Vehicle Low Emissions Incentive Grant Program;		
4. 10% for the voluntary accelerate purchase of Tier 2 and Tier 3 non-road equipment;		
5. 15% for grants to counties with populations fewer than 400,000 for travel reduction programs;		
6. 25% for other air quality programs and measures.		
Revenue	0	0
Non-Appropriated Funds Expended	0	0
Appropriated Funds Expended	0	0
Transfer to General Fund	2,212,300	0
Year-End Fund Balance	0	0
Arizona Clean Air Fund (EVA1238/A.R.S. § 41-411)		Non-Appropriated
Source of Revenue: Prior to its elimination, the Arizona Clean Air Fund (ACAF) received revenues from: the Department of Environmental Quality (ADEQ) Vehicle Repair Grant program, fees that owners of vehicles 5 years old or newer may pay in lieu of the vehicle emission inspections fee; lottery proceeds; and gifts, grants, donations and interest.		
Purpose of Fund: To provide grants for alternative fuel vehicles and diesel vehicle conversion grants. Beginning July 1, 2003, the revenue source and activities of this fund shifted to the Air Quality Fund. <i>(See Arizona Clean Air Fund Balance for more information.)</i>		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2008 Actual	FY 2009 Estimate
Arizona Clean Air Fund Balance (EVA2250/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: A transfer in FY 2004 from the Arizona Clean Air Fund. The FY 2009 budget transferred \$2,876,400 from the Arizona Clean Air Fund Balance Fund to the General Fund.		
Purpose of Fund: This fund was established to separate the Clean Air in lieu fee account from the remaining balance of the Arizona Clean Air Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Brownfields Cleanup Revolving Loan Fund (EVA2456/A.R.S. § 49-218)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal grants, loan repayments, interest, penalties, gifts and donations.		
Purpose of Fund: To provide loans to eligible parties to perform non time-crucial removal of hazardous waste contamination on sites accepted into the State Voluntary Remediation Program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Clean Water Revolving Fund (EVA2254/A.R.S. § 49-1221)		Partially-Appropriated
Source of Revenue: Legislative appropriations, federal capitalization grants, loan repayments, loan servicing fees, donations, and interest.		
Purpose of Fund: To make loans for capital improvements at wastewater treatment facilities of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration. The Water Infrastructure Finance Authority administers the fund. The FY 2009 budget appropriated \$5,000,000 from the Clean Water Revolving Fund to the department to offset General Fund operating reductions.		
Appropriated Funds Expended	0	5,000,000
Non-Appropriated Funds Expended	103,161,800	97,919,000
Year-End Fund Balance	308,683,100	311,421,200
Donations Fund (EVA2449/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Various donations, settlements, and consent decrees.		
Purpose of Fund: To administer the intent of the donation, settlement or decree.		
Funds Expended	9,300	10,000
Year-End Fund Balance	5,800	9,000
Drinking Water Revolving Fund (EVA2307/A.R.S. § 49-1241)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal capitalization grants, loan repayments, loan servicing fees, donations, and interest.		
Purpose of Fund: To make loans to drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration. The Water Infrastructure Finance Authority administers the fund.		
Funds Expended	107,054,300	45,918,900
Year-End Fund Balance	163,650,900	169,722,300
Emissions Inspection Fund (EVA2082/A.R.S. § 49-544)		Appropriated
Source of Revenue: Legislative appropriations, test fees, fleet certificate fees, private grants, donations, and federal grants.		
Purpose of Fund: To pay for enforcement of fleet inspections, exemptions, and certificates of waiver programs; to pay Emissions Inspection program contract and administrative charges, including station auditing, contractor training and certification, and motorist assistance; to pay for the state portion of catalytic converter program costs; and to pay for research studies of the feasibility and effectiveness of new emission control technologies.		
Funds Expended	33,375,400	37,470,700
Year-End Fund Balance	3,343,400	823,500

SUMMARY OF FUNDS	FY 2008 Actual	FY 2009 Estimate
Federal Funds (EVA2000/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Federal grants related to water quality management, underground storage tank enforcement provisions, air pollution control, research projects, and other programs.		
Purpose of Fund: To be used as specified by federal law.		
Funds Expended	16,561,000	20,189,000
Year-End Fund Balance	1,436,900	1,126,900
Greenfields Program Fund (EVA2309/A.R.S. § 49-157)		Non-Appropriated
Source of Revenue: Legislative appropriations and program fees. Initial General Fund appropriations of \$100,000 in FY 1998 and \$70,000 in FY 1999 made at the beginning of the pilot program were intended as start-up monies and will be paid back as fees are collected.		
Purpose of Fund: To remediate parcels of land that has soil contamination and return them to productive use. ADEQ will review and approve remediation plans submitted by certified remediation specialists.		
Funds Expended	0	0
Year-End Fund Balance	165,700	165,700
Hardship Grant Fund (EVA2437/A.R.S. § 49-1267)		Non-Appropriated
Source of Revenue: Legislative appropriations and monies received from the United States government, including monies that are awarded to this state pursuant to Title II of the Clean Water Act and that are no longer obligated to the Construction Grants program.		
Purpose of Fund: Providing hardship grants to political subdivisions or Indian tribes to plan, design, acquire, construct or improve wastewater collection and treatment facilities. Providing training and technical assistance related to the operation and maintenance of wastewater systems.		
Funds Expended	0	0
Year-End Fund Balance	8,800	8,800
Hazardous Waste Management Fund (EVA2178/A.R.S. § 49-927)		Appropriated
Source of Revenue: Legislative appropriations, hazardous waste treatment, storage, and disposal permit fees, and hazardous waste generation and transportation fees.		
Purpose of Fund: To pay educational, permitting, planning, and enforcement costs of the Hazardous Waste Program, and to provide administration and state matching funds for federal source reduction grants. A portion of the fund is transmitted to the Emergency Response Fund for staffing and equipping local emergency management agencies. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	189,100	795,000
Year-End Fund Balance	1,436,900	1,126,900
IGA & ISA Fund (EVA2500/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	2,183,700	2,915,500
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (EVA7000/A.R.S. § 49-104)		Appropriated
Source of Revenue: Monies transferred from the department's appropriated and non-appropriated funds, including federal grants.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	12,230,100	12,748,200
Year-End Fund Balance	7,129,700	5,522,900

SUMMARY OF FUNDS	FY 2008 Actual	FY 2009 Estimate
Institutional & Engineering Control Fund (EVA2563/A.R.S. § 49-159)		Non-Appropriated
Source of Revenue: Application fees for department's assessment and verification of restricted, non-residential use of contaminated land, recovered costs for repair of engineering and institutional controls, grants, donations, and legislative appropriations.		
Purpose of Fund: To pay the department's cost of enforcing the use of engineering and institutional controls in environmental remediations on contaminated properties.		
Funds Expended	8,100	17,300
Year-End Fund Balance	213,400	251,500
Intergovernmental Agreement Fund (EVA2180/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: : Grants and intergovernmental agreements from various public entities, including the Game and Fish Department and the Water Protection Commission		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	0	0
Year-End Fund Balance	12,900	12,900
Monitoring Assistance Fund (EVA2308/A.R.S. § 49-360)		Non-Appropriated
Source of Revenue: Fees from public water systems that participate in the Monitoring Assistance program.		
Purpose of Fund: To assist public water systems in complying with monitoring requirements under the federal Safe Drinking Water Act.		
Funds Expended	769,100	740,900
Year-End Fund Balance	1,004,000	898,100
Recycling Fund (EVA2289/A.R.S. § 49-837)		Appropriated
Source of Revenue: Landfill disposal (tipping) fees and legislative appropriations.		
Purpose of Fund: For grants to local governments and others for developing recycling markets and programs; for public information and assistance on source reduction and recycling; and for revenue collection and fund administration.		
Funds Expended	1,939,600	2,325,800
Year-End Fund Balance	3,627,500	781,500
Small Water Systems Fund (EVA2225/A.R.S. § 49-355)		Non-Appropriated
Source of Revenue: Legislative appropriations and interest.		
Purpose of Fund: To provide information and assistance to small water systems for improving compliance with drinking water system standards, and to provide emergency grants to small water systems for infrastructure repair.		
Funds Expended	0	0
Year-End Fund Balance	569,400	592,200
Solid Waste Fee Fund (EVA3110/A.R.S. § 49-881)		Appropriated
Source of Revenue: Fees, donations, and legislative appropriations.		
Purpose of Fund: To pay solid waste program costs, including tire fire cleanup expenses, special waste facility staff education, special waste management compliance monitoring, and used oil handling education and enforcement.		
Funds Expended	928,700	1,503,100
Year-End Fund Balance	1,103,900	175,600
Specific Site Judgment Fund (EVA3006/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Fines, forfeitures, and penalties paid by parties responsible for site contamination.		
Purpose of Fund: For administration of court settlements, judgments, or consent decrees.		
Funds Expended	0	0
Year-End Fund Balance	248,700	258,700

SUMMARY OF FUNDS	FY 2008 Actual	FY 2009 Estimate
Technical Appeals Program Fund (EVA3411/A.R.S. § 49-116)		Non-Appropriated
Source of Revenue: Legislative appropriations and dispute resolution fees.		
Purpose of Fund: To pay the costs of implementing and administering a technical appeals process for specified WQARF site registry and work plan review decisions.		
Funds Expended	0	0
Year-End Fund Balance	0	0

NOTE: The Underground Storage Tank (UST) Fund is displayed first as a fund summary, then by individual account.

Underground Storage Tank (UST Summary) (EVA2271/A.R.S. § 49-1015A)		Partially-Appropriated
Source of Revenue: See each account for specific revenue sources.		
Purpose of Fund: See each account for specific account purpose.		
Balance Forward	57,092,200	35,734,300
Revenue	34,709,000	31,232,400
Funds Available	91,801,200	66,966,700
Appropriated Funds Expended	3,300	22,000
Non-Appropriated Funds Expended	27,580,800	38,189,400
Legislative Fund Transfers	28,482,800	27,763,500
Year-End Fund Balance	35,734,300	991,800

UST - Area A Assurance Account (EVA2271/A.R.S. § 49-1015)		Non-Appropriated
Source of Revenue: Area A (Maricopa County) excise tax revenues, cost recovery, and interest. The excise tax is a 1¢ per gallon tax on regulated substances, such as gasoline.		
Purpose of Fund: To provide partial coverage of corrective actions to underground storage tanks and to reimburse the Department of Environmental Quality (DEQ) if the state is required to take corrective action in Area A.		
Balance Forward	19,281,300	16,274,400
Revenue	16,422,100	15,099,600
Funds Available	35,703,400	31,374,000
Funds Expended	9,533,700	14,117,100
Legislative Fund Transfers	9,895,300	16,794,700
Year-End Fund Balance	16,274,400	462,200

UST - Cleanup Municipalities Account (EVA2271/A.R.S. § 49-1051)		Non-Appropriated
Source of Revenue: A one-time transfer of \$5,000,000 of vehicle license tax revenues in FY 2001, as provided by Laws 2000, Chapter 354, and interest.		
Purpose of Fund: To partially reimburse school districts, counties, cities, towns, hospitals, and certain small businesses for costs of cleaning up leaking tanks.		
Balance Forward	2,847,100	2,976,100
Revenue	129,000	103,100
Funds Available	2,976,100	3,079,200
Funds Expended	0	0
Legislative Fund Transfers	0	3,079,000
Year-End Fund Balance	2,976,100	200

SUMMARY OF FUNDS	FY 2008 Actual	FY 2009 Estimate
UST - Grant Account (EVA2271/A.R.S. § 49-1071)		Non-Appropriated
Source of Revenue: Interest earnings on account balance.		
Purpose of Fund: To provide grants, up to \$100,000 to UST owners/operators for the purposes of meeting tank performance standards, removing tanks for closure or replacement, or paying the portion of corrective action costs that are less than the deductible amount under the Assurance Fund. The Grant Account was divided into the Area A and Non-Maricopa Accounts by Laws 1993, Chapter 1, 6 th Special Session. The figures below depict the entire Grant Account		
Balance Forward	519,600	537,400
Revenue	17,800	14,200
Funds Available	537,400	551,600
Funds Expended	0	0
Legislative Fund Transfers	0	507,900
Year-End Fund Balance	537,400	43,700
UST - Municipal Tank Closure and Corrective Action Program Account (EVA2271/A.R.S. § 49-1073)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants and donations. Laws 2001, Chapter 341 transferred all unobligated funds in the UST Grant Account as of December 31, 2001 to this account. The estimated amount transferred was \$2,300,000.		
Purpose of Fund: To perform permanent closures and corrective actions on underground storage tanks in cities and towns requesting assistance. Cities and towns must have less than 15,000 people to be eligible for the program.		
Balance Forward	1,170,400	643,300
Revenue	45,600	25,700
Funds Available	1,216,000	669,000
Funds Expended	572,700	595,000
Legislative Fund Transfers	0	72,000
Year-End Fund Balance	643,300	2,000
UST - Non-Maricopa County Assurance Account (EVA2271/A.R.S. § 49-1051)		Non-Appropriated
Source of Revenue: Non-Maricopa County excise tax revenues, cost recovery, and interest. The excise tax is a 1¢ per gallon tax on regulated substances, such as gasoline.		
Purpose of Fund: To provide partial coverage of corrective actions to underground storage tanks and to reimburse DEQ if the state is required to take corrective action in areas other than Area A		
Balance Forward	32,267,500	14,259,000
Revenue	17,374,500	15,274,000
Funds Available	49,642,000	29,533,000
Funds Expended	16,801,500	22,696,100
Legislative Fund Transfers	18,581,500	6,633,800
Year-End Fund Balance	14,259,000	203,100
UST - Policy Commission Account (EVA2271/A.R.S. § 49-1092)		Partially-Appropriated
Source of Revenue: This account receives \$12,000 from the State Assurance Fund to cover operating costs.		
Purpose of Fund: To assist the UST Policy Commission review and provide recommendations to improve the UST program		
Balance Forward	28,200	24,900
Revenue	0	0
Funds Available	28,200	24,900
Appropriated Funds Expended	3,300	22,000
Non-Appropriated Funds Expended	0	0
Legislative Fund Transfers	0	2,800
Year-End Fund Balance	24,900	100

SUMMARY OF FUNDS	FY 2008 Actual	FY 2009 Estimate
UST - Regulatory Account (EVA2271/A.R.S. § 49-1051)		Non-Appropriated
Source of Revenue: Annual tank fees (\$100/tank) and interest.		
Purpose of Fund: To carry out the state regulatory program, state-initiated corrective actions, and cost recovery activities.		
Balance Forward	941,700	982,800
Revenue	720,000	715,800
Funds Available	1,661,700	1,698,600
Funds Expended	672,900	781,200
Legislative Fund Transfers	6,000	637,000
Year-End Fund Balance	982,800	280,400
UST - Technical Appeals Account (EVA2271/A.R.S. § 49-1093)		Partially-Appropriated
Source of Revenue: Fund receives an annual \$10,000 appropriation from the State Assurance Fund to cover operating costs.		
Purpose of Fund: To assist the UST Technical Appeals panel		
Balance Forward	36,400	36,400
Revenue	0	0
Funds Available	36,400	36,400
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	0	0
Legislative Fund Transfers	0	36,300
Year-End Fund Balance	36,400	100
Used Oil Fund (EVA3500/A.R.S. § 49-818)		Appropriated
Source of Revenue: Legislative appropriations and penalties for misuse of used oil.		
Purpose of Fund: For costs associated with the collection and analysis of used oil fuel samples.		
Funds Expended	10,400	137,800
Year-End Fund Balance	67,600	68,600
Voluntary Lawn and Garden Equipment Emissions Reduction Fund (EVA2306/A.R.S. § 49-474)		Non-Appropriated
Source of Revenue: An annual \$10,000 appropriation from the State Assurance Fund to cover operating costs.		
Purpose of Fund: To provide vouchers for the retirement of residential and commercial lawn mowers. Residential owners receive a \$100 voucher to be used toward the purchase of an electric mower. Commercial owners receive a \$200 voucher to be used toward the purchase of a mower that generates lower emissions.		
Funds Expended	0	0
Year-End Fund Balance	1,700	1,700
Voluntary Remediation Fund (EVA2564/A.R.S. § 49-187)		Non-Appropriated
Source of Revenue: Legislative appropriations, program fees, cost reimbursements, gifts, grants, and donations.		
Purpose of Fund: To pay the department's oversight costs of voluntary clean-ups of contaminated properties, including application, monitoring, and enforcement activities.		
Funds Expended	261,400	445,900
Year-End Fund Balance	908,100	674,300
Voluntary Vehicle Repair & Retrofit Program Fund (EVA2365/A.R.S. § 49-474.03)		Non-Appropriated
Source of Revenue: Legislative appropriations, a \$10 fee on diesel vehicle registrations, gifts, grants and donations.		
Purpose of Fund: To provide monies for local programs intended to repair or retrofit vehicles that fail emissions tests.		
Funds Expended	1,026,500	1,045,900
Year-End Fund Balance	1,857,000	1,061,100

SUMMARY OF FUNDS

FY 2008
Actual**FY 2009**
Estimate

Water Quality Assurance Revolving Fund (WQARF) (EVA2221/A.R.S. § 49-282)**Non-Appropriated**

Source of Revenue: Fees and taxes related to municipal water use, pesticides, fertilizers, hazardous waste, and groundwater withdrawal. As required by A.R.S § 49-282, \$15,000,000 is to be transferred to WQARF from the Corporate Income Tax. The \$15,000,000 is adjusted at the close of the fiscal year so that when combined with other revenues the fund receives \$18,000,000 annually. This statutory transfer was suspended in FY 2009 in favor of a transfer amount of \$13,000,000.

Purpose of Fund: For the operation of the WQARF Priority Site Remediation Program. Expenditures include administration, legal support, identification of responsible polluters, community involvement, and contract costs for the clean-up of sites for which no responsible party can be found. There is a transfer of up to \$800,000 to the Department of Water Resources for well inspection and data management. Although this fund is not appropriated, A.R.S. § 49-282 requires the Appropriations Committees to review the annual budget for WQARF.

Funds Expended	20,112,100	22,355,200
Year-End Fund Balance	8,092,000	1,507,200

Water Quality Fee Fund (EVA4100/A.R.S. § 49-210)**Appropriated**

Source of Revenue: Legislative appropriations and fees received from several water quality protection programs.

Purpose of Fund: To pay the costs of aquifer protection permit registration, dry well registration, technical review, inspections, and issuance of aquifer protection permits.

Funds Expended	3,763,300	5,887,000
Year-End Fund Balance	2,978,300	1,465,900